Five questions for Martin Boileau[1]
[2]

In the midst of a swirling economy dotted with protectionist policies, tax cuts and a volatile stock market, economists like to organize and make sense of the world around them, says Martin Boileau, a professor of economics and associate chair of graduate studies at CU Boulder. Still, he says, “Tariffs are crazy,” and a majority of economists agree with him.

Boileau is a macroeconomist, especially interested in international affairs, a fascination that began as a young man growing up in Canada.

“As a macroeconomist, I care about the economy of entire countries rather than specific sectors of the economy. I care about the interactions of all of these micro actions and how they shape the economies of countries. I’m thinking about inflation, unemployment, business cycles, economic growth, and other things like that,” he says. “I became interested in the international components early in my career. I wondered, for instance, ‘Why is it that Canada gets a recession when the United States is in a recession, and what are the mechanisms by which the recessions are transmitted across countries? And what can we do to protect ourselves from these recessions?’”

He turned down his first offer for a position at CU Boulder for love. After earning his Ph.D. in economics at Queen’s University in Kingston (Ontario), he followed his girlfriend (now his wife) Nathalie Moyen to the University of British Columbia where she was working on a Ph.D. While seeking an academic position, he received a job offer from CU.

“I didn’t come because I thought it would be too difficult for Nathalie to find an academic job given that there was one university in Boulder. We were in Montreal and I did not know the region well,” he explained. Instead he went to the University of Toronto, and he and Nathalie continued a long-distance relationship for a few years. Ironically, as she looked for an academic job, she received many offers, including from the University of Toronto and the University of Colorado Boulder.
[3]

“This was rather complicated. I told her that I had not accepted the Boulder position, but that it was the nicest place on Earth, and we needed to find a way to go there.” Three years after Boileau first said “no” to CU, Nathalie accepted a position in Boulder and he also was hired, and says he is “incredibly grateful” for that second chance.

Later this month, he’ll turn his attention away from academics and Boulder and spend time with his son (he also has a daughter) on a Boy Scout backpacking trip in Utah, a first for Boileau. “I was not a scout when I was a kid, but being a scout in Boulder is really amazing because you have all of these outdoorsy parents and they take all sorts of interesting outings with their kids.”

1. How did you choose this career path and your area of interest?

I had a history teacher in high school who brought back most historical events to economics. Because of him, I decided to major in economics in college. I became a macroeconomist in large part because I really liked two individuals – both macroeconomists – who influenced me while an undergrad at the Université du Québec à Montréal (UQAM). After these years at UQAM, I became a civil servant working at the Ministry of Finance in Canada (the equivalent of the United States Treasury). While there, it was suggested that I get a Ph.D., and so I decided to go back to school. I found a really awesome person to be my dissertation advisor, and because of him, I found it was worth becoming an academic.

Economists think we can explain everything (not just economic events). Economics offers a great way to organize and make sense of the world around us. It is very useful to think about the incentives that motivate people to act in particular ways. To do that, we draw from all sorts of science around us to build the tools of economics. We then use these tools to explain all sorts of events, and we do not restrict ourselves to only economic events. For instance, we use the tools to tie historical events to economics. These wider, more macro applications have always intrigued me.

2. There’s a lot going on in the United States financial realm today – recently announced tariffs on a variety of

products (steel, aluminum, washing machines, solar panels), tax cuts, potential inflation, predictions of a possible recession, a volatile stock market and more. The economy seems particularly chaotic. What should we, as citizens, worry about most?

Actually, if you look back from the end of World War II, we have had prolonged periods of productivity growth. Despite this growth, we also had a lot of recessions. Among those, there was a pretty serious recession in the ’70s linked to oil prices, and another severe recession in the ’80s when we decided to reduce inflation, the so-called Volcker recession. There were other recessions here and there, including the dot.com bubble recession that people have interpreted as tech-price bubbles. In the middle of this, especially during the Clinton administration years, we had prolonged, slow growth, and even into the Bush administration years. It was calm to the point that some economists thought we had vanquished recessions and that the country needed to focus solely on growth. People call this period the “Great Moderation.”

Then the massive Great Recession was triggered by housing market issues, and, let’s not beat around the bush, corruption in financial markets. Since then, the economy has been very chaotic: interest rates fell and it took a long time to bring the economy back; income distribution widened tremendously – the rich have become even richer; and the unemployment rate peaked.

And so even though there are a lot of things going on now, perhaps the norm is what we are experiencing now, not what we experienced during the Clinton years, which may be the oddball period. Depending on where people sit politically, some will tell you that policy-wise, what has brought us this uncertainty were things related to Obamacare, while others will say the large tax measure that was just passed is really bad for the economy.

Through all of this, the big policy that should be universally shunned is protectionism. Tariffs are really crazy. The truth is that we have big challenges facing us in terms of Social Security, Medicare and Medicaid because these social network programs have become extremely expensive. We’re spinning our wheels because neither political party understands what to do and those issues are hot potatoes, so nobody is doing anything. But these issues are potentially more important than any other crazy thing that is currently happening.

3. Would you say that the way economists look at policies also is political? For instance, some economists say “trickle-down” economics works, while others say the theory does not work because it has not worked in the past.

There are things on which the majority of economists agree. For instance, it is very, very hard to find economists who favor tariffs. I’m not saying that none exist, but the vast majority of us say tariffs are really silly.

At the same time, there is a lot of uncertainty surrounding economics. I wish I could tell you that we fully understand everything about economics, but I cannot tell you this about chemistry or physics, and I cannot tell you this about economics, either. We have hypotheses that we form about how we think the world works, and we gather data, and this data then helps inform us whether or not we are thinking about the issue correctly.

When it comes to the massive recession created by the housing/financial markets, we had stopped thinking about recessions because things were going swimmingly, and we were thinking about policies to promote growth. Whoa! We got slapped behind the head with this. Recessions still exist and hurt us, and we need to focus on these issues because they affect real people. So it is not that economists disagree on everything, or that they are overly political, it’s just that our understanding of the world is imperfect. We start with different theories, which yield different hypotheses to test, and in some cases, we have to question whether the data is good enough to reject some hypotheses.

4. Has teaching economics become more or less complicated over the years as the world becomes more complex? Has big data helped? What do you find most appealing about teaching?

Of course we teach different things as we learn them. It’s not that the teaching of economics has been revolutionized; science doesn’t work this way. Science evolves slowly by small bits, then once in a while there is a big revolution and we spend our time on it, and then it is back to little bits. As science evolves, the frontier moves, and so we teach the frontier. I remember when I was a grad student, there was a lot of emphasis on something called “time series econometrics” and “game theory.” These are not at the forefront anymore.

As for big data, yes, economics is an empirical science, so the more data we have, the more accurate our tests are. With more data and more computer power, we can do fancier things with the data. That is one big difference in our teaching that has occurred in the past decade. We teach applied econometrics at both the undergraduate and graduate levels, and these courses did not exist 10 years ago. We taught econometrics before but we taught it with the means we had; our teaching is much improved now.

The number of economics majors at CU, and in fact, nationally, has increased over the years; people realize that economics matters and we need to understand it.

I have been director of graduate studies in the department for a couple of years and have been involved with our honors program for over a decade. I love being in the classroom, but I find that interacting with young researchers is extremely rewarding.

5. What does some of your current/recent research entail?

I co-authored a paper with my wife, who is a finance professor at the Leeds School of Business, that is sort of a marriage of corporate finance and macroeconomics. The paper was just published recently and it is about why firms, especially firms in the U.S., have accumulated so much cash. By cash, I mean things that could otherwise be invested. When we started working on this paper together, we were interested in understanding the puzzle. Basically, think of it this way: You have a lot of money in your bank account but if you had a large credit card debt; wouldn’t it make sense to take money out of the account and pay off the debt? Those firms have large debt but accumulate cash rather than pay their debt.

The paper is current now for a totally different reason. The large pitch to reduce corporate taxation, made by the Trump Administration, was based on the fact that the reductions would spur firm investment that would eventually spur wage growth for workers in these firms. There were economists on both sides on this issue. For example, several economists, and I am amongst them, predicted that the reduction would not spur investment because firms already had a lot of cash on hand. Although it is early in the process, what has happened so far is that, in fact, corporations have not invested, but instead have repurchased company shares to transfer money to share-holders rather than invest and transfer money to their workers. Perhaps Nathalie and I will have to go back and write a second paper on why it is important to understand the joint effects of cash and corporate taxes.

I have also just published a paper that explores how variations in the price of capital goods like machinery and equipment that is imported by developing countries can create recessions in those countries. What’s happening is that the production of machinery and equipment is in the hands of very few developed countries – industrialized economies. It is important for developing countries to import these goods, but variations in price matter greatly to these small, open economies.

State budget with boost for CU advances at Capitol[4]

The Joint Budget Committee last week advanced a state budget that includes a 10 percent increase in funding for the University of Colorado – a request Gov. John Hickenlooper made last fall.

The state’s higher education budgets are slated to receive $82.2 million; CU’s portion is $18.9 million.

The budget, known as the long bill, was introduced this week in the House and is expected to be considered the rest of this week. It likely will be heard in the Senate next week.

Other notable budget items include:

$12.3 million for the CU Anschutz Colorado Center for Personalized Medicine and Behavioral Health project $4.8 million for cyber security education $18 million for all university governing boards (roughly $2.5 million for CU) $8 million to address the teacher shortage $6.5 million cash fund set aside for opioid bills $225,000 for the family medicine faculty repayment loan program $2 million set aside for CCHE for rural education training program grants $600,000 set aside for Open Educational Resources $763,000 for Level 1 Controlled Maintenance projects at CU Boulder campus. Related, House Bill 18-1003 allocates $750,000 to the Center for Research into Substance Use Disorder Prevention, Treatment and Recovery at CU Anschutz.

The JBC also set aside $225 million for implementation of the PERA bill currently under consideration by lawmakers.

"We have been working closely with PERA, legislative leaders and the governor's office to ensure that the amount set aside would cover the costs of implementation for both employers and employees," said Tanya Kelly-Bowry, vice president of government relations. "The funding would cover these costs for all PERA divisions and was approved by the JBC unanimously but the conversation still has a long way to go. Special thanks to Todd Saliman, vice president of budget and finance and chief financial officer, who has been critical in analyzing the PERA budget number impact for Sen. Jack Tate and Majority Leader Rep. KC Becker and Rep. Dan Pabon."

Also at the Capitol, House Bill 1086[5] was passed and will become law without the signature of Gov. Hickenlooper, who expressed concerns. In a letter[6], the governor cited "two major flaws": the granting of authority to the State Board for Community Colleges and Occupational Education, rather than the CCHE, to determine bachelor of science in nursing offerings; and the failure by the bill's proponents to engage with relevant stakeholders and higher education institutions during the legislation's development. CU's lobbying team was successful in narrowing the scope of the bill to be completion of nursing degrees. Kelly-Bowry thanked Dean Nancy Smith, University of Colorado Colorado Springs; Dean Mary Krugman, University of Colorado Anschutz Medical Campus; and Legal Counsel Jeremy Hueth for working on amendments.

CU's revolutionary, MOOC-delivered master's in electrical engineering [7]

CU pay dates not affected by state changes[8]

The state of Colorado recently announced a transition from a monthly pay schedule to a biweekly pay schedule[9]. This change will not affect University of Colorado employees.

The university will continue following its current biweekly and monthly pay schedules. Review the 2018 pay day schedule here[10].

"CU's classified employees recently received an email from the state about these changes, but it will not affect them," said Sharon Bishop, director of payroll in Employee Services.

Employees with questions regarding their pay may visit the Employee Services payroll website[11] or contact a payroll professional at 303-860-4200, option 2.

Graduate students lead the way to campus skin cancer prevention[12]

Remembering Stephen Hawking: Faculty share brush with fame [13]

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